

**Doing Good by Buying from a Peer: When and Why Consumers Prefer Peer Economy Purchases**

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The term “peer economy” has been used to describe organizations that facilitate market-based transactions between private individuals (Sundararajan, 2016). The primary difference between a peer economy firm and traditional firms is who provides the good or service (i.e., an individual consumer offering services through a peer-to-peer marketplace versus an employee of a company being paid wages/salary by the company for his/her work). While previous research on the sharing economy has explored issues such as heightened rivalry within a sharing system due to perceptions of scarcity (Lamberton & Rose, 2012) and the implications of access versus ownership (Bardhi & Eckhardt, 2012), little research has addressed how consumer perceptions of and motivations for making a purchase from a peer-to-peer firm rather than its more traditional competitors differ.

Implicit in the peer-to-peer business model is the notion of connecting with other individuals (i.e., one’s peers) directly rather than making a purchase from a business. Based on this distinction, we propose that rather than focusing on the firm, as they would in a traditional economy purchase, in a peer economy purchase, consumers focus relatively more on the peer providing a good or service (i.e., the Lyft driver) rather than on the underlying firm facilitating the peer-to-peer transaction (i.e., Lyft itself). As a result, consumers perceive peer-to-peer purchases as inherently more prosocial (Small & Cryder, 2016) than purchases from traditional economy firms because these purchases are seen as helping another individual (vs. simply providing profits for a firm). Hence we predict:

**H1:** Purchases from peer-to-peer economy firms are perceived as more prosocial than purchases from traditional economy firms.

**H2:** Consumers' perceptions of purchases from peer-to-peer options as more prosocial will drive greater purchase likelihood for peer economy firms as compared to traditional economy firms.

While we argue that the default in a peer economy transaction is to focus on the individual, factors external to the consumer (e.g., media coverage, a firm's promotions) may shift this focus more to the for-profit firm facilitating the transaction. We propose that this shift decreases perceptions of prosociality and preference for peer-to-peer options since consumers no longer see their purchase as benefitting an individual but instead as creating profits for a firm.

**H3:** When consumers focus on the underlying for-profit organization facilitating a peer to peer purchase rather than on the individual peer provider, the effect proposed in hypothesis 2 will be attenuated.

We have argued that the underlying process driving increased preference for peer-to-peer purchases is caused by the belief that these purchases are more prosocial, so any marketing action that changes consumers' perceptions of purchases from traditional economy firms to be more prosocial should attenuate this difference in preferences. Perhaps the most direct way to make a purchase from a traditional economy firm seem more prosocial is to link a purchase with a charitable donation, a popular form of cause-related marketing called transactional CM

(Krishna and Rajan 2009). Because peer-to-peer economy firms are already seen as prosocial, they are less likely to benefit from such an action.

**H4:** When traditional economy firms link consumer purchases to charitable donations via cause marketing, the effect proposed in hypothesis 2 will be attenuated.

## STUDIES

In study 1 (n = 194 undergraduates, three conditions), participants were asked to imagine taking a trip where the only option available in their desired location was a hotel or an apartment on Airbnb. In the Airbnb individual condition, the person renting the apartment lived there. In the Airbnb agent condition, the person renting the apartment “works as an agent for a property owner who is renting out multiple properties on Airbnb's website as a business.” The two Airbnb conditions served as a way to isolate the importance of buying from an individual not working on behalf of a business from other differences between Airbnb and hotels. Price and description of the living space were held constant across conditions.

Next, participants rated how prosocial they felt this purchase was with four statements (e.g., “I feel like I helped someone else by spending money on this hotel [Airbnb]”;  $\alpha = 0.82$ ). Because the Airbnb agent should not be seen as a true “peer” in the sense that he/she is not a

consumer renting out their own living space but rather someone working on behalf of a business, we did not expect perceptions of prosociality to differ across these conditions. Analysis using Bonferroni-adjusted contrasts revealed that there was no significant difference in the perceived prosociality of the purchase in the Airbnb agent ( $M = 4.23$ ) versus hotel condition ( $M = 4.02$ ,  $F(1, 192) = 1.84, p = .467$ ). Supporting H1, however, the purchase in the Airbnb individual condition was seen as significantly more prosocial ( $M = 4.80$ ) than the Airbnb agent ( $F(1, 192) = 8.89, p = .01$ ) and hotel conditions ( $F(1, 192) = 18.72, p < .0001$ ). We conceptually replicated these results with an MTurk sample using a fictional tool rental service that was either peer-to-peer or a traditional alternative.

In study 2 we test H2 and H3. To test H3 we manipulate whether an ad for a cab company versus a peer economy alternative features corporate employees of the firm (shifting focus to the underlying firm) or individual drivers (which we argue is the default focus in a peer economy context). More specifically, 132 undergraduates were shown an advertisement for Lyft (a peer-to-peer rideshare company) or Yellow Cab (a traditional alternative) that featured photos of three individuals, either identified as drivers or corporate employees (e.g., VP of Partnerships) in a 2 (Company: Lyft vs. Yellow Cab) x 2 (Advertisement Focus: Drivers vs. Corporate employees) design. All participants then indicated their likelihood of choosing Lyft [Yellow Cab] (1 = very unlikely to 7 = very likely) and again answered the four prosociality measures used in the prior study ( $\alpha = 0.89$ ).

An ANOVA analysis of purchase likelihood revealed a significant interaction ( $F(1, 131) = 5.04, p = .027$ ) with simple effects showing a significant difference between the Lyft ad focus conditions ( $M_{\text{driver}} = 5.70, M_{\text{corporate}} = 4.91, F(1, 131) = 4.48, p = .036$ ) but not the cab conditions ( $M_{\text{driver}} = 3.18, M_{\text{corporate}} = 3.58; F(1, 131) = 1.12, p = .291$ ). Our prosociality variable also

showed a marginally significant interaction ( $F(1, 130) = 3.42, p = .067$ ). Further investigation of the simple effects of this interaction show that for those in the Lyft conditions, viewing an ad featuring corporate employees resulted in significantly lower prosociality perceptions ( $M = 3.31$ ) than viewing an ad featuring individual drivers ( $M = 4.30, F(1, 130) = 11.07, p = .001$ ). For those in the Yellow Cab condition, however, these groups showed no significant difference in perceived prosociality ( $M_{\text{driver}} = 2.84, M_{\text{corporate}} = 2.63, F(1, 131) = 0.51, p = .478$ ). To test H2 and H3, we conducted a moderated mediation analysis using PROCESS model 7 (Hayes 2013) with company as the IV, ad focus as the moderator, prosociality as the mediator, and purchase likelihood as the DV. Supporting our predictions, this analysis indicated significant moderated mediation (95% CI: .0030 to 0.5129).

In study 3a we partnered with a real peer economy firm that offers a smartphone app platform (called Borrow'd) for the buying, selling, and renting of textbooks between students. In this field study we test whether promotional strategies that focus on the individual provider are more effective than promotions that focus on the underlying company's brand. This field study entailed setting up a booth on a college campus for four days and providing potential users with information about the app. We switched condition by day and our manipulation varied the promotional appeals in terms of imagery and text which were printed on download cards and a large banner hung in front of the table. The company focused condition included a cartoon consumer paying for a book through an app and featured the text "Buy or rent your textbooks on Borrow'd". This imagery and text focused on the brand's name and the ability to purchase books through the app but did not highlight the peer-to-peer aspect of the platform. In contrast, the individual provider focused condition featured two cartoon individuals exchanging a book through the app and featured the text "Buy or rent your classmates' books". The number of

download cards taken served as our dependent variable. As predicted, more cards were taken in the individual provider focus condition (379) than the company focused condition (281, Wald  $\chi^2(1) = 10.15, p = .001$ ).

A follow up lab study (study 3b) was conducted with two hundred and nineteen undergraduates unfamiliar with the app. This experiment used the same promotional stimuli as the field study and measured download intentions and prosociality. As predicted, consumers in the peer transaction ad condition ( $M = 3.83$ ) were significantly more likely to say they would download the app than individuals in the brand ad condition ( $M = 3.32, F(1, 217) = 4.59, p = .03$ ). Also as predicted we saw that individuals in the peer transaction ad condition agreed that a potential purchase on this app helped someone ( $M = 3.89$ ) more than individuals in the brand ad condition ( $M = 3.47, F(1, 217) = 3.73, p = .055$ ). To test whether perceived prosociality mediated download likelihood based on ad condition, we ran a bias corrected mediation analysis using PROCESS model 4 (Hayes 2013) with ad condition as the independent variable, perceived helping when making a purchase as the mediator, and download likelihood as the dependent variable. As predicted, this analysis demonstrated that viewing the peer transaction advertisement led to higher download likelihood because it increased the perceived helping of a potential purchase made through the app (95% CI: .011 to .399).

In study 4 we test hypothesis 4, exploring whether traditional economy firms can use cause-related marketing to increase consumers' perceptions that purchases from them are prosocial, thus decreasing the purchase intention gap between peer economy firms and their traditional competitors. Two hundred and five undergraduates participated in a 2 (Company: Lyft vs. Yellow Cab) x 2 (Cause Marketing: Cause Marketing vs. Control) design. Participants (two hundred and two undergraduates) were told that they are traveling to a town for the first time and

see a billboard for Lyft or Yellow Cab depending on condition. To control for impact of cost (and therefore potentially donation amount) participants were all given the same ride cost and were told that this was comparable to other options. At this point the cause marketing and control conditions diverged. In the cause marketing conditions participants were then told that “Lyft [Yellow Cab] has pledged to donate a portion of every purchase to the United Way”. Individuals in the control conditions did not view this information and were instead just moved to the next part of the study. All participants then indicated their likelihood to choose the service featured on the billboard and answered the same four prosociality measures ( $\alpha = 0.90$ ) as in the prior studies.

An ANOVA analysis of purchase likelihood revealed a significant interaction ( $F(1,202) = 4.02, p = .046$ , See Figure 1). Further analysis of this interaction’s simple effects revealed that while tying a purchase to a cause made individuals in the Yellow Cab condition significantly more likely to make a purchase ( $M_{\text{Control}} = 4.38, M_{\text{Cause}} = 5.14, F(1, 202) = 5.19, p = .024$ ), that cause marketing made no significant difference in the Lyft conditions ( $M_{\text{Control}} = 5.54, M_{\text{Cause}} = 5.37, F(1, 202) = 0.29, p = .589$ ). ANOVA analysis also revealed a significant interaction between the company and cause marketing variables on prosociality ( $F(1,202) = 6.70, p = .010$ ). Further investigation of the simple effects of this interaction show that for participants in the Yellow Cab conditions having a portion of their purchase donated to a cause made a potential ride seem significantly more prosocial ( $M_{\text{Control}} = 3.09, M_{\text{Cause}} = 4.50, F(1, 202) = 26.36, p < .0001$ ). In contrast, in the Lyft conditions, there was not a significant difference in perceived prosociality between the cause marketing and control conditions ( $M_{\text{Control}} = 3.72, M_{\text{Cause}} = 4.13, F(1, 202) = 2.37, p = .125$ ). Finally, we conducted a bias-corrected moderated mediation analysis using PROCESS model 7 (Hayes 2013). In this analysis company served as the independent variable, cause marketing condition served as the moderator, prosociality perceptions served as



the mediator, and purchase likelihood served as the outcome variable. Supporting our prediction, this analysis indicates significant moderated mediation for purchase likelihood (95% CI:  $-.388$  to  $-.044$ ).

## **GENERAL DISCUSSION**

Despite its relative newness, the peer-to-peer model is being used by a growing number of firms that have become ubiquitous in the lives of many consumers. This growth has allowed many firms in the peer economy to rival or even surpass more established traditional competitors. For example, there are now nearly three times as many Uber drivers as yellow taxis in New York City, and based upon its most recent round of funding in March of 2017, Airbnb has roughly the same value as Marriot International (Wallenstein and Shelat 2017). The increasing prevalence of peer-to-peer purchases in the marketplace makes understanding consumers' purchase behaviors and perceptions about these purchases increasingly important.

In this research we propose that the nature of the peer-to-peer business model makes the individual provider more salient to the consumer than the underlying peer economy firm. As a result, consumers (1) perceive peer-to-peer purchases as more prosocial than purchases from traditional economy firms and (2) express greater purchase intentions for peer economy firms compared to traditional economy firms. These relatively higher purchase intentions for peer economy firms are reduced, however, when marketing communications for peer-to-peer firms shift consumers' focus away from the individual provider to the underlying for-profit firm. We also demonstrate that traditional economy firms can use cause-related marketing to increase

consumers' perceptions that purchases from them are prosocial, decreasing the purchase intention gap between peer economy firms and traditional competitors.

From a theoretical perspective, our results add to the burgeoning literature documenting how consumers interact with non-traditional business models and how they perceive transactions with these firms (Bardhi and Eckhardt 2012; Belk 2010; Lamberton and Rose 2012; Ozanne and Ozanne 2011; Sun, Supangkat, and Balasubramanian 2016; Zervas, Propserpio, and Byers 2017). Our work also contributes to the literature on prosocial behavior (Batson and Powell 2003; Small and Cryder 2016; Berman et al. 2015), highlighting a new factor that leads consumers to consider a purchase prosocial, buying from a peer versus a firm. Finally, our work contributes to the literature on cause-marketing (Barone, Miyazaki, and Taylor 2000; Krishna 2011; Krishna and Rajan 2009; Müller, Mazar, and Fries 2016; Ross, Patterson, and Stutts 1992; Varadarajan and Menon 1988) by demonstrating that cause-marketing is more effective for increasing purchases from traditional economy firms than from peer economy firms.

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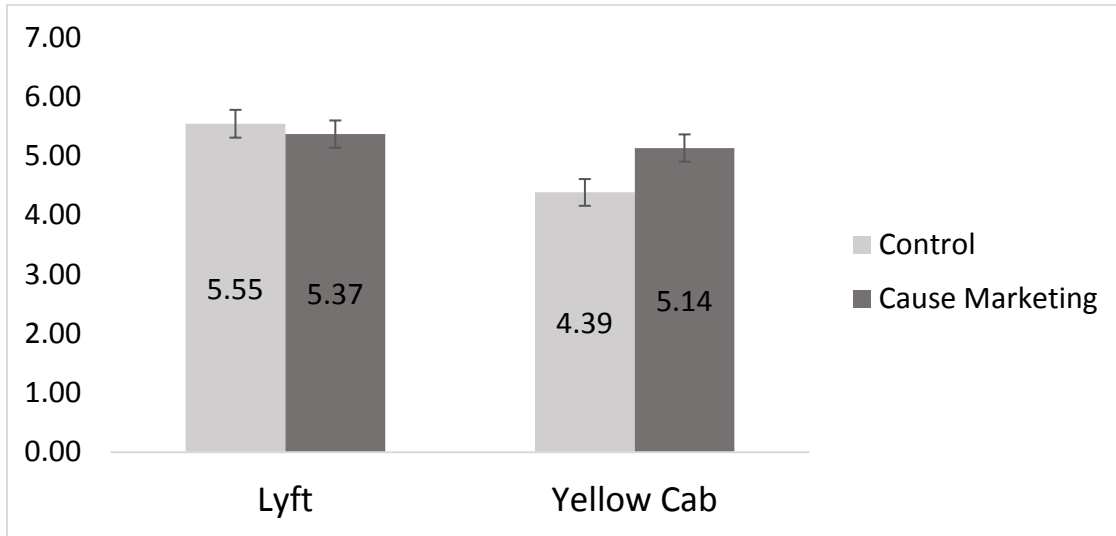
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Figure 1

Study 4: Purchase Likelihood- Company by Cause Marketing Condition



| SUMMARY OF RESULTS   |   |
|--|---|
|  | Main Findings   |
| <p><b>Study 1</b></p> <p>Three conditions (Hotel, Airbnb Agent, Airbnb Peer Provider)</p>                        | <p><i>Prosociality of Purchase:</i> Analysis using Bonferroni-adjusted contrasts revealed that there was no significant difference in in the Airbnb agent (<math>M = 4.23</math>) versus the hotel conditions (<math>M = 4.02</math>, <math>p = .467</math>). In contrast, the purchase in the Airbnb individual peer provider condition was seen as significantly more prosocial (<math>M = 4.80</math>) than the purchase in the Airbnb agent condition (<math>p = .010</math>) and the hotel condition (<math>p &lt; .0001</math>).</p>  |
| <p><b>Study 2</b></p> <p>2 ( Company: Lyft vs. Yellow Cab) x 2( Ad Focus: Driver vs. Corporate)</p>              | <p><i>Purchase Likelihood:</i> There was a significant interaction between these company and ad focus on purchase likelihood, <math>p = .027</math>). An ad featuring individual drivers versus corporate employees significantly increased purchase likelihood in the Lyft conditions (<math>M_{\text{Driver}} = 5.70</math>, <math>M_{\text{Corporate}} = 4.91</math>, <math>p = .0362</math>,) but not the Yellow Cab conditions (<math>M_{\text{Driver}} = 3.18</math>, <math>M_{\text{Corporate}} = 3.58</math>; <math>p = .291</math>)</p> <p><i>Purchase Prosociality:</i> There was a marginally significant interaction between these two variables (<math>p = .067</math>). For those in the Lyft conditions, viewing an ad featuring corporate employees resulted in significantly lower prosociality perceptions (<math>M = 3.31</math>) than viewing an ad featuring individual drivers (<math>M = 4.30</math>, <math>p = .001</math>) however, these groups showed no significant difference in perceived prosociality in the Yellow Cab conditions (<math>M_{\text{Driver}} = 2.84</math>, <math>M_{\text{Corporate}} = 2.63</math>, <math>p = .478</math>).</p> <p><i>Moderated Mediation:</i> We conducted a moderated mediation analysis using PROCESS model 7 (Hayes 2013). In this analysis, company and ad focus served as the independent and moderator variables, respectively, prosociality perceptions served as the mediator variable, and purchase likelihood served as the outcome variable. Supporting our prediction, this confidence interval does not include zero which indicates significant moderated mediation (index of moderated mediation = .230; 95% CI: .003 to .704).</p> |
| <p><b>Field Study 3a</b></p> <p>Focus (Peer vs. Company)</p>   | <p><i>Results:</i> 281 were taken by students in the company focused condition vs. 379 in the peer provider focus condition. A Poisson regression model using count data indicated that this was significant (Wald <math>\chi^2(1) = 10.15</math>, <math>p = .001</math>).</p>  |
| <p><b>Study 3b</b></p> <p>Stimuli mirrored conditions in Study 3a</p>  | <p><i>Download Likelihood:</i> Consumers in the individual peer provider ad condition (<math>M = 3.83</math>) were significantly more likely to say they would download the app than individuals in the company ad condition (<math>M = 3.32</math>, <math>p = .03</math>).</p> <p><i>Purchase Prosociality:</i> Individuals in the peer transaction ad condition agreed that a potential purchase on this app helped someone (<math>M = 3.89</math>) more than individuals in the brand ad condition (<math>M = 3.47</math>, <math>p = .055</math>)</p> <p><i>Mediation:</i> To test whether perceived prosociality mediated download likelihood based on ad condition, we ran a mediation analysis using PROCESS model 4 (Hayes 2013) with ad condition as the independent variable, perceived helping when making a purchase as the mediator, and download likelihood as the dependent variable. As predicted, this analysis demonstrated that viewing the peer transaction advertisement led to higher download likelihood because it increased the perceived helping of a potential purchase made through the app (<math>ab = .175</math>, 95% CI: .011 to .399).</p>  |
| <p><b>Study 4</b></p> <p>2 (Company: Lyft vs. Yellow Cab) x 2 (Cause Marketing: Cause Marketing vs. Control)</p> | <p><i>Purchase Likelihood:</i> There was a significant interaction (<math>p = .046</math>). Tying a purchase to a cause made individuals in the Yellow Cab condition significantly more likely to make a purchase (<math>M_{\text{Control}} = 4.38</math>, <math>M_{\text{Cause}} = 5.14</math>, <math>p = .024</math>), but cause marketing made no significant difference in the Lyft conditions (<math>M_{\text{Control}} = 5.54</math>, <math>M_{\text{Cause}} = 5.37</math>, <math>p = .589</math>).</p> <p><i>Purchase Prosociality:</i> There was a significant interaction between the company and cause marketing variables on prosociality (<math>F(1,202) = 6.70</math>, <math>p = .010</math>). Participants in the Yellow Cab conditions viewed a cause marketing purchase as significantly more prosocial (<math>M_{\text{Control}} = 3.09</math>, <math>M_{\text{Cause}} = 4.50</math>, <math>p &lt; .0001</math>), however there was not a significant difference in the Lyft conditions (<math>M_{\text{Control}} = 3.72</math>, <math>M_{\text{Cause}} = 4.13</math>, <math>p = .125</math>).</p> <p><i>Moderated Mediation:</i> We conducted a bias-corrected moderated mediation analysis using PROCESS model 7. Company served as the independent variable, cause marketing served as the moderator, prosociality served as the mediator, and purchase likelihood served as the outcome variable. Supporting our prediction, this analysis indicates significant moderated mediation for purchase likelihood (index of moderated mediation = <math>-.177</math>; 95% CI: <math>-.388</math> to <math>-.044</math>).</p>  |